



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 9, 2007

MEMORANDUM

To Thomasenia P. Duncan
General Counsel

Through Patricia M. Clark *PMC*
Staff Director

From John D. Gibson *JDG*
Chief Compliance Officer

Joseph F. Stoltz *JFS*
Assistant Staff Director
Audit Division

Martin L. Favin *MLF*
Audit Manager

By Terence J. O'Brien *TJO*
Lead Auditor

Subject Ted Poe for Congress (A05-03) - Referral Matter

AUDIT REFERRAL # 07-06

On August 1, 2007, the Commission approved the final audit report on Ted Poe for Congress. Finding 1 of the report, Misstatement of Financial Activity, is referable to your office.

All work papers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Terry O'Brien or Marty Favin at 694-1200.

Attachment Finding 1 - Misstatement of Financial Activity

cc Lorenzo Holloway

29044243273

Finding 1. Misstatement of Financial Activity

Summary

A comparison of TPC's reported figures to bank records revealed that TPC had materially misstated receipts, disbursements, and the ending cash on hand balances for calendar years 2003 and 2004. The Audit staff recommended that TPC file amended reports to correct the misstatements. In response, TPC materially corrected the misstatements.

Legal Standard

Contents of Reports. Each report must disclose

- The amount of cash on hand at the beginning and end of the reporting period,
- The total amount of receipts for the reporting period and for the calendar year,
- The total amount of disbursements for the reporting period and for the calendar year, and
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements) 2 U S C §434(b)(1), (2), (3), (4) and (5)

Facts and Analysis

The Audit staff reconciled TPC's reported activity to the bank records and determined there was a misstatement of cash on hand, receipts, and disbursements for calendar years 2003 and 2004. The following charts details the discrepancies for each year. Succeeding paragraphs explain, to the extent possible, why the discrepancies occurred.

2003 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ November 6, 2003	\$0	\$0	\$0
Receipts	\$106,260	\$101,260	\$5,000 Overstated
Disbursements	\$22,856	\$24,086	\$1,230 Understated
Ending Cash Balance @ December 31, 2003	\$83,404	\$77,174	\$6,230 Overstated

The overstatement of receipts was the result of the following

- | | |
|--|---------|
| • Reported contribution from a political committee was returned from the bank for insufficient funds (December 2003) | \$5,000 |
| Overstatement | \$5,000 |

29044243274

The understatement of disbursements was the net result of the following

• Net under reporting of payroll disbursements ¹	\$1,142
• Unreported bank fees	90
• Over reported disbursement	<u>(2)</u>
Net understatement	\$1,230

The overstatement of ending cash on hand in the amount of \$6,230 was the result of the misstatements noted above

2004 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2004	\$83,404	\$77,174	\$6,230 Overstated
Receipts	\$1,565,264	\$1,665,777	\$100,513 Understated
Disbursements	\$1,500,011	\$1,685,151	\$185,140 Understated
Ending Cash Balance @ December 31, 2004	\$148,657	\$57,800	\$90,857 Overstated

The understatement of receipts was the result of the following

• Contributions from individuals not reported	\$84,397
• Net under reporting of contributions from political committees	15,115
• Unexplained difference	<u>1,000</u>
Understatement	\$100,513

The understatement of disbursements was the net result of the following

• Operating expenditures not reported	\$316,621
• Operating expenditures reported twice	(71,738)
• Operating expenditures reported but not located in bank records	(43,800)
• Reported \$15,000 disbursement as \$1,500	13,500
• Unexplained difference	<u>(29,443)</u>
Net understatement	\$185,140

The overstatement of ending cash on hand in the amount of \$90,857 was the result of the misstatements noted above

At the exit conference, the Audit staff provided TPC representatives with schedules detailing these misstatements. TPC representatives offered no comments.

¹ TPC failed to report six payroll disbursements totaling \$12,219 while it reported five payroll-related disbursements totaling \$11,076 that could not be traced to bank records.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that TPC file amended reports for calendar years 2003 and 2004. It was further recommended that the most recent report be amended to show the adjusted cash on hand balance along with an explanation that it resulted from audit adjustments from a prior period. In response, TPC filed the recommended amended reports.

29044243276